

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PA-01 PRS-01 IGA-01 PM-03 AGR-05

DOT-00 L-03 H-02 /094 W

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R 241245Z JUN 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2155

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E.O. 11652: N/A

TAGS: USIRJC, AFSP

SUBJ: USIRJC

1. AS WASHINGTON AWARE WE HAVE BEEN EXPERIENCING DIFFICULTY IN MOVING VARIOUS JOINT COMMISSION ACTIVITIES FORWARD WITH THE GOI FOR REASONS THAT HAVE NOT ALWAYS BEEN ENTIRELY CLEAR. ACCORDINGLY, THE AMBASSADOR AND DCM MET WITH MINISTER OF ECONOMIC AFFAIRS AND FINANCE ANSARY, HIS SENIOR DEPUTY MINISTER MEHRAN AND VICE MINISTER VAFA JUNE 24. AT THE OUTSET ANSARY SAID THAT IT HAD ALSO BECOME CLEAR TO HIM THAT VARIOUS JOINT COMMISSION PROJECTS WERE NOT PROGRESSING AND THERE HAD BEEN SEVERAL DISCUSSIONS BETWEEN INTERESTED GOI MINISTRIES AND AGENCIES AS TO THE REASONS. HIS CONCLUSION WAS THAT THERE IS A CONCEPTUAL AND PRACTICAL DIFFERENCE OF HOW THE US APPROACHES THE MATTER AND HOW THE GOI DEALS WITH SIMILAR SITUATIONS WITH OTHER COUNTRIES. HE SAID THAT IF WE CANNOT RESOLVE THESE DIFFERENCES, HE DOES NOT SEE HOW WE CAN PROCEED TO THE IMPLEMENTATION OF MANY JOINT COMMISSION PROJECTS. THIS DIFFERENCE CONCERNS OUR AND IRAN'S INTERPRETATION OF THE TERMS "ECONOMIC COOPERATION" AND "TECHNICAL COOPERATION" AND WHERE ONE ENDS AND THE OTHER BEGINS.

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IN IRAN'S VIEW, ECONOMIC COOPERATION MIGHT BE CAST IN COMMERCIAL TERMS AS PRE-SALES ACTIVITY, THE EXPENSES OF WHICH THE VENDING COUNTRY OR ORGANIZATION IS PREPARED TO BEAR IN ANTICIPATION OF THE SALE OF A PRODUCT OR SERVICE. SPECIFICALLY, THEREFORE,

IRAN BELIEVES THAT US COSTS OF FORMULATING PROJECT PROPOSALS WHICH COULD INCLUDE VISITS OF US EXPERTS TO IRAN OR VISITS OF IRANIAN EXPERTS TO THE UNITED STATES AS WELL AS SURVEYS, THE PREPARATION OF PROJECT PROSPECTUSES AND DETAILED PLANS SHOULD BE BORNE BY THE US. IF IMPLEMENTATION OF THE PROJECT IS THEN AGREED UPON, THESE COSTS MIGHT THEN BE RECOVERED AS THEY ARE IN STRAIGHT FORWARD COMMERCIAL ARRANGEMENTS THROUGH INCLUSION IN THE OVERALL AGREED PRICE FOR THE PROJECT. IF NO AGREEMENT IS REACHED ON THE PROJECT, THE COST WOULD HAVE TO BE REGARDED BY THE US AS VENTURE CAPITAL OR A BUSINESS EXPENSE THAT DID NOT PAY OFF. BUSINESS FIRMS DO THIS REGULARLY AND IRAN DID NOT SEE WHY THE USG COULD NOT DO THE SAME THING.

2. ONCE AGREEMENT WAS REACHED ON A PROJECT, HOWEVER, WHETHER IT INVOLVED SALES OF EQUIPMENT OR SALES OF TECHNICAL SERVICES, THE GOI FULLY RECOGNIZES THAT IT WILL HAVE TO PAY ACCORDING TO THE TERMS OF THE PROJECT AGREEMENT. IN THIS CONNECTION PAYMENT MAY BE MADE IN KIND, I.E. OFFICE SPACE, SECRETARIAL ASSISTANCE, LOCAL TRANSPORTATION, ETC., AS WELL AS IN CASH FOR SALARY AND ALLOWANCES, PER DIEM, ETC. THE GOI RECOGNIZES THAT IT IS NECESSARY AND DESIRABLE THAT A STANDARD AGREEMENT BE DEVELOPED WHICH WOULD SPELL OUT PRECISELY WHAT PAYMENTS IN KIND AND IN CASH WOULD BE MADE FOR SERVICES RENDERED. UNDER THE DIRECTION OF MEHRAN SUCH A PROPOSED AGREEMENT IS NOW BEING DEVELOPED AND WILL BE PROVIDED TO US FOR OUR COMMENT AND REACTION SHORTLY.

3. THE ISSUE OF FRONT MONEY AND/OR ESTABLISHMENT OF A TRUST FUND TO FACILITATE THE IMPLEMENTATION OF PROJECT AGREEMENTS WAS DISCUSSED BRIEFLY. IT WAS ANSARY'S VIEW THAT THERE WAS NO FUNDAMENTAL GOI OBJECTION TO SUCH AN ARRANGEMENT BUT THAT IT WAS A MATTER THAT WOULD HAVE TO BE DEALT WITH ON A MINISTRY BY MINISTRY BASIS. SOME MINISTRIES, FOR EXAMPLE, MAY HAVE BUDGETS WHICH WOULD ENABLE THEM TO MAKE ADVANCE PAYMENTS, WHILE OTHERS MAY BE ON A PAY AS YOU GO BASIS. ANSARY REALIZED THAT THIS MAY POSE SOME DIFFICULTY PARTICULARLY IN TERMS OF CONSOLIDATING AND ACCOUNTING FOR SOME ADMINISTRATIVE SUPPORT ACTIVITIES BUT OFFERED NO ALTERNATIVE.

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HELMS

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2156

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4. IN A FRIENDLY BUT SERIOUS MANNER ANSARY QUERIED WHY WE NOW SEEM TO HAVE SUCH DIFFICULTY WORKING OUT COLLABORATION PROJECTS HAVING SIGNED A JOINT COMMISSION AGREEMENT WHICH WAS PRESUMABLY INTENDED TO FACILITATE RATHER THAN HAMPER FURTHER COOPERATION. IN THIS CONNECTION HE NOTED THAT IN PRE-JOINT COMMISSION DAYS IRAN AND THE UNITED STATES HAD TECHNICAL COOPERATION ARRANGMENTS WITH, FOR EXAMPLE, THE DEPARTMENT OF AGRICULTURE AND WITH FEDERAL HIGHWAYS ADMINISTRATION WHICH SEEM TO WORK REASONABLY WELL. HE EXPRESSED PARTICULAR PUZZLEMENT ABOUT WHY THERE WAS NOT AN EXPORT PROMOTION FUND THAT COULD BE USED FOR THE ECONOMIC COOPERATION OR PRE-SALES ACTIVITY WHICH WAS A NECESSARY PRELUDE TO REACHING PROJECT AGREEMENT. HE HASTENED TO ADD THAT HE WOULD NOT WANT TO SEE AN APPROPRIATIONS REQUEST SUBMITTED TO THE CONGRESS FOR FUNDS TO BE USED FOR THIS PURPOSE SPECIFICALLY IN THE CASE OF IRAN. NEVERTHELESS, HE SUGGESTED THAT A GENERAL APPROPRIATIONS REQUEST FOR THIS PURPOSE WHICH WOULD APPLY EQUALLY WELL ELSEWHERE WOULD SERVE OUR INTERESTS. ALTERNATIVELY, HE WONDERED WHETHER AMERICAN BUSINESS FIRMS THAT ARE INTERESTED IN DOING BUSINESS IN IRAN MIGHT CONTRIBUTE TO A COMMON FUND FOR THE SAME PURPOSE. WE EXPLAINED SOME OF THE DIFFICULTIES INVOLVED IN EITHER APPROACH. ANSARY, WHO IS THOROUGHLY FAMILIAR WITH OUR LIMITED OFFICIAL USE
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APPROPRIATIONS PROCESS, EXPRESSED UNDERSTANDING BUT, IN EFFECT, CLEARLY REGARDED THIS AS OUR PROBLEM NOT HIS.

5. COMMENT: THE TENOR OF THE CONVERSATION THROUGHOUT WAS THAT IRAN WAS INTERESTED IN OBTAINING GOODS AND SERVICES FROM THE US, ITS QTE MAJOR TRADING PARTNER UNQTE, THROUGH PRIVATE OR PUBLIC ARRANGEMENTS. ITS ENTHUSIASM DID NOT CARRY IT TO THE POINT OF MAKING ARRANGEMENTS WITH US THAT ARE DIFFERENT FROM ARRANGEMENTS IT HAS WITH OTHER COUNTRIES IN SIMILAR CIRCUMSTANCES, HOWEVER. IN OUR JUDGMENT ANSARY IS THOROUGHLY DUG IN ON THIS POINT AND HAS THE SWAT TO ENSURE THAT IT IS A POSITION WHICH WILL BE TAKEN BY THE REST OF THE GOVERNMENT WHATEVER INDIVIDUAL MINISTERS PREDILECTIONS MAY BE. IT SEEMED QUITE EVIDENT TO US

THAT IF WE CANNOT ADJUST OUR WAYS OF DOING THINGS TO THEIR STYLE
THEN IRAN IS QUITE PREPARED TO SEE TECHNICAL COOPERATION
ARRANGEMENTS DIE ABORNING. EVEN IF WE GET PAST THE QUESTION
OF FUNDING QTE PRE-SALES ACTIVITY UNQTE, WE ANTICIPATE TOUGH
DAYS AHEAD ON THE QUESTION OF PAYMENT OF FEES IN KIND OR IN
CASH FOR TECHNICAL COOPERATION SERVICES AND SUPPORT. A HINT OF
THIS CAME IN ANSARY'S REMARK THAT QTE AFTER ALL WE ALSO HAVE TO
CONSIDER THE PAY SCALE AND PERKS OF OUR OWN EXPERTS AS WELL AS
THOSE EXPERTS WE GET FROM OTHER COUNTRIES. UNQTE OVERALL WE
FEEL WE HAVE TAKEN A STEP FORWARD WITH RESPECT TO AGREEMENT
ON THE NEED FOR A STANDARD TECHNICAL COOPERATION ARRANGEMENT
BUT A STEP BACKWARD, OR AT LEAST SIDEWAYS, ON HOW WORK LEADING
UP TO SUCH AN ARRANGEMENT IS TO BE FUNDED.

6. WOULD APPRECIATE YOUR REACTION AND GUIDANCE.
HELMS

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